

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND)
POWER COMPANY TO ADJUST ELECTRIC RATES) CASE NO. 91-370

O R D E R

IT IS ORDERED that The Union Light, Heat and Power Company ("ULH&P") shall file the original and 12 copies of the following information with the Commission by January 28, 1992, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Schedule C-5 shows the adjusted jurisdictional state and federal income taxes for ULH&P. For each of the line items identified below, explain in detail why the adjustment shown in column 2 is necessary and provide supporting calculations for each adjustment:

a. Line 61, State Unbilled Revenues (Deferral), page 2 of 3.

b. Line 63, State Unrecovered Electric Fuel Costs (Deferral), page 2 of 3.

c. Line 72, State Unbilled Revenues (Writeback), page 2 of 3.

d. Line 91, Federal Unbilled Revenues (Deferral), page 3 of 3.

e. Line 94, Federal Unrecovered Electric Fuel Costs (Deferral), page 3 of 3.

f. Line 104, Federal Unbilled Revenues (Writeback), page 3 of 3.

2. Provide a description of the activity recorded in the balance sheet accounts listed below. Describe how the balances in these accounts are amortized to expenses, what accounts the amortization expenses are recorded in, and what amount of the amortization expense is related to ULH&P's electric operations. The accounts are:

a. Account No. 186-8000, Jobbing Work in Progress, WPB-8.1s.

b. Account No. 186-9000, Other Work in Progress, WPB-8.1s.

3. Concerning the response to Item 1 of the December 17, 1991 Order, provide the following information:

a. Explain in detail how the actual activities performed by employees are documented in the time studies. Include an example of the documentation.

b. Indicate whether ULH&P uses individual time sheets to record the work activity for any of its employees.

c. If the response to part (b) above is no, explain in detail how ULH&P verifies the accuracy of its time studies.

4. Concerning the response to Item 3 of the December 17, 1991 Order, provide the calculations used to determine the allocation bases described on lines 22 through 25 of Schedule A-7, page 2 of 4.

5. Concerning the response to Item 4(a) of the December 17, 1991 Order, provide a description of how ULH&P utilizes Account No. 106, Completed Construction Not Classified. Include a description of when costs are transferred out of this account and indicate the approximate amount of time utility plant will remain in Account No. 106 before it is transferred to the appropriate plant account.

6. Schedule B-3.2 shows ULH&P's depreciation accrual rates and jurisdictional reserve balances by account. Account No. 3631, Street Lighting - Overhead, appears on page 2 of 4 of the schedule. A review of this page of the schedule reveals:

- The adjusted jurisdictional reserve balance for Account No. 3631 exceeds the adjusted jurisdictional plant investment by approximately \$36,000;

- The calculated annual depreciation expense for Account No. 3631 is approximately \$204,000; and

- Account No. 106, Completed Construction Not Classified - Distribution Plant, is separately depreciated, with an annual expense of approximately \$167,000 for the test year end balance of the account.

Based on this information, it does not appear that ULH&P's response to Item 4(a) adequately addresses the request. Therefore, provide a detailed explanation as to why Account No. 3631 appears to have been allowed to be over-depreciated. Also provide a detailed explanation as to why the level of accumulated depreciation is relatively high for this account and why ULH&P believes depreciation expense should continue to be accrued at the current level for these assets.

7. Concerning the response to Item 5 of the December 17, 1991 Order, provide the accounting entries made by ULH&P to record the payment of Kentucky auto license taxes and the PSC Assessment. Include a detailed description of ULH&P's accounting treatment for these two payments.

8. Provide a detailed explanation as to why ULH&P considers auto license taxes a prepayment, but does not consider property taxes in the same manner. Explain why prepaid auto license taxes should be considered a working capital component of rate base.

9. Concerning the response to Item 6(a) of the December 17, 1991 Order, provide a detailed explanation as to why ULH&P feels the inclusion of 10 days of purchased power cost in the

determination of cash working capital results in a more reflective allowance.

10. Concerning the response to Item 10 of the December 17, 1991 Order, provide the calculations which support the microwave system monthly rental expense of \$9,511. Include all supporting workpapers. Indicate whether this monthly amount is only for electric operations.

11. Concerning the response to Item 11(c) of the December 17, 1991 Order, prepare a schedule of test year expenses either incurred by or allocated to ULH&P relating to regulatory commission proceedings. The schedule should be for electric operations only and would include expenses for proceedings before this Commission and expenses related to regulatory proceedings in other jurisdictions. Identify the account number where the expenses were recorded.

12. Concerning the response to Item 13 of the December 17, 1991 Order, provide the following information:

a. Explain in detail what is meant in the response to Item 13(a) by "fluctuations in the compliment."

b. Identify the reason(s) for these fluctuations.

c. Explain in detail why the analysis used the straight-time hours for an average of 311 employees instead of the actual hours worked during the test year.

d. Indicate whether the work hours shown in WPC-3.4d through WPC-3.4o represent actual hours worked by the employees assigned to ULH&P.

e. If the workpapers referenced in part (d) above do not represent actual hours worked, prepare a schedule of the hours actually worked by the employees assigned to ULH&P for each month of the test year. Separately show the actual hours for the Independent Utilities Union; the International Brotherhood of Electrical Workers; the United Steelworkers of America; and the Supervision, Administration, and Professional workers. If the information necessary to prepare the schedule is not available, explain in detail why it is unavailable.

f. Explain whether ULH&P or the Cincinnati Gas and Electric Company ("CG&E") evaluated the option of assigning additional employees to ULH&P rather than ULH&P incurring increased levels of overtime hours and wages. Include copies of any evaluation performed.

g. Explain whether ULH&P sought to have additional employees assigned to it to handle the work demands it has experienced during recent years. Include the results of any requests for the assignment of additional employees.

h. Indicate whether ULH&P or CG&E performed any cost benefit analysis concerning the decision to reduce the use of contractors. Include copies of any analysis performed.

i. Prepare a narrative discussion of the suggestion awards and New Heights awards programs. Include a description of employee eligibility. Indicate the total test year payments under these programs, the electric operations' portion of the payments, and the account numbers where the expense was recorded.

13. For each of the following dates, provide ULH&P's authorized labor compliment:

- a. August 1, 1990.
- b. July 31, 1991.
- c. December 31, 1991.

14. Concerning Item 14 of the December 17, 1991 Order, part (a) requested ULH&P to indicate when it last evaluated its workforce to determine the optimal workforce level. In part (b), ULH&P was requested to provide copies of any written evaluations performed concerning the optimal workforce level for ULH&P. The request sought information as to when was the last time ULH&P's optimal workforce level was examined, regardless of whether ULH&P, CG&E, or some other company performed the evaluation. With this clarification, provide the information originally requested in Item 14(a) and 14(b).

15. The answer provided by ULH&P to Item 14(c) is not responsive. ULH&P was requested to describe in detail what steps it has taken during the test year to integrate the management audit recommendations which deal with workforce levels and management. The response cited that this was an ongoing area with the Commission's Management Audit Branch and referenced a Branch summary report. Provide the originally requested information. Include a narrative summary of the actions taken to implement the recommendations dealing with workforce levels and management. Describe the status of these actions as of test year end and as of the date of this response. If reference is made to any reports filed with the Commission's Management Audit Branch, specifically

cite the report, the appropriate section of the report, and the pages which contain the referenced information.

16. Concerning the response to Item 18 of the December 17, 1991 Order, provide the following information:

a. On page 123-002 of its 1990 FERC Form No. 1 Annual Report, ULH&P has stated that the adoption of Financial Accounting Standards Board ("FASB") Statement No. 106 is not expected to have a material effect on the results of operations. Explain the basis for this opinion.

b. Indicate what the first year's annual cost is expected to be when ULH&P adopts FASB No. 106. Include all supporting calculations, assumptions, and workpapers.

17. Concerning the response to Item 20 of the December 17, 1991 Order, provide the following information:

a. The response to part (x) references improvements to the Itron (Meter Reading) System. Explain why the upgrade expenses were not capitalized.

b. The response to part (ak) references the addition of a new advertising agency. Identify the advertising agencies employed by or those whose costs were allocated to ULH&P during the test year. If more than one agency was utilized, explain why each agency was retained.

18. Concerning the transactions identified in the response to Item 21 of the December 17, 1991 Order, provide copies of the invoices and supporting documentation from the following companies:

a. Emerald Industries.

- b. Process Systems, Inc.
- c. Bayboro Consulting.
- d. Xenergy.

19. Concerning the response to Item 22 of the December 17, 1991 Order, for each of the publications or materials identified below, indicate who would normally receive this information and provide the test year expense incurred for the type of publication or material.

a. Marketing of electric outdoor lighting, example on sheet 14 of 47.

b. Materials dealing with regional economic development, sheets 30 through 36 of 47.

c. Community Profile materials, sheets 40 through 47 of 47.

20. Concerning the response to Item 23 of the December 17, 1991 Order, provide the following information:

a. For Electric Account No. 926-1, list all company-sponsored recreational activities which occurred during the test year and the expense recorded for each activity.

b. For Electric Account No. 926-5, list all special events which occurred during the test year and the expense recorded for each event.

21. Concerning the response to Item 24 of the December 17, 1991 Order, provide the following information:

a. For part (b), Account No. 589-6, Rents - Microwave System, explain how the test year rental costs were based on an

annual study of costs and allocated when ULH&P did not have the system available to it until late in the test year.

b. For responses which reference negotiations with owners or vendors, indicate whether ULH&P, CG&E, or some other subsidiary of CG&E performs the negotiations. Also indicate the usual duration of these rental agreements.

22. Based on the responses to Item 25 of the December 17, 1991 Order, it appears that ULH&P's Public Affairs and Public Relations expenditures are designed to promote and maintain a good corporate image for ULH&P. Indicate whether ULH&P agrees with this evaluation. If ULH&P does not agree, explain in detail why it disagrees.

23. In its response to Item 26, ULH&P indicated that the models used for the proposed electric weather normalization adjustment were developed in-house. Provide an explanation discussing whether ULH&P or CG&E consulted organizations such as the Electric Power Research Institute ("EPRI") or the Edison Electric Institute for information or assistance in developing the models.

24. Concerning the response to Item 31 of the December 17, 1991 Order, provide an explanation as to whether each of the factors listed below would or would not impact the level of costs ULH&P would incur for the Savings Investment Plan ("SIP") and the Deferred Compensation and Investment Plan ("DCIP"):

a. The number of employees participating in either plan.

b. The level of contribution made to the plan by each employee.

c. The base pay of the participating employees.

25. Concerning the response to Item 32 of the December 17, 1991 Order, provide the following information:

a. Identify the seasonal weather factors referred to in Item 32(a). Explain how ULH&P determined that the month of May was the least affected by seasonal weather factors. Indicate when this determination was made.

b. Indicate whether ULH&P or CG&E throughout the year prepares an analysis of "Worked Hours Only" as shown in WPC-3.4c or only prepares this analysis each May. If the analysis is prepared only once a year, explain how ULH&P can determine that the May calculations are the most representative.

26. The answer provided for Item 33 is not responsive. ULH&P was requested to provide the same information shown in WPC-3.4c for the month of July 1991. ULH&P responded that the schedule is not prepared for July. Provide or prepare the requested information for July 1991 in the format shown in WPC-3.4c.

27. In Item 34(a), ULH&P was requested to explain why it was appropriate to distribute the time and one half and double time hours in the same way as the regular work hours. The request sought an explanation of why the practice was appropriate, not how ULH&P's accounting system treats the labor costs. With this clarification, provide the information originally requested in Item 34(a).

28. Concerning ULH&P's proposed adjustment to annualize wages, indicate how much of the annualization relates to regular work hours and how much relates to overtime hours. Provide all supporting calculations, assumptions, and workpapers.

29. In lieu of the information requested in Item 37 of the December 17, 1991 Order, provide the total electric labor charges for ULH&P for the month of July 1991. In addition, provide the labor capitalization rate for ULH&P's electric operations for the month of July 1991.

30. Concerning the response to Item 38 of the December 17, 1991 Order and WPC-3.5a, prepare a schedule similar to that shown on WPC-3.5a reflecting expenses for the 12 months ending July 31, 1991. Include all supporting calculations, assumptions, and workpapers.

31. Concerning the response to Item 40 of the December 17, 1991 Order, provide the following information:

a. Explain in detail whether the test year wage expense includes only the expenses for the 313 employees assigned to ULH&P or does it include allocated wages for the employees which make up the FICA tax adjustment.

b. Explain in detail why the FICA adjustment was not matched to ULH&P's employee compliment.

32. For each of the labor situations listed below, provide a detailed explanation of how ULH&P accounts for the labor costs. The explanation should include, but not be limited to, explaining how the work hours and labor costs are identified and tracked.

a. Employees who are assigned to CG&E, but are transferred back and forth between CG&E and ULH&P during a 12 month period.

b. Employees who are assigned to CG&E, but from time to time during a 12 month period perform work for ULH&P.

33. Included in the response to Item 42 of the December 17, 1991 Order are eight pages of computer printout dealing with the FICA wages. Sheet 8 of 8 shows a census count of 355 employees and none of the listed wages as exceeding the FICA base wage. Provide the following information:

a. Indicate whether any additional pages to this analysis have been omitted. Include any missing pages.

b. WPC-3.91 appears to indicate there were 377 FICA tax employees for calendar 1990. Item 42, sheet 8 of 8 appears to indicate there were 355 FICA tax employees for the first 7 months of 1991. For the test year, indicate how many FICA tax employees there were for ULH&P.

34. In Item 45 ULH&P was requested to provide a detailed explanation of how the ULH&P percentages shown on WPC-3.13b were determined, including an explanation as to how any allocations used were determined and applied. The request sought information concerning the calculation of the postage percentages and how any allocations used were arrived at. With this clarification, provide the information originally requested in Item 45. Also include any supporting workpapers and calculations.

35. Concerning the response to Item 46, provide the following information:

a. Explain in detail why the test year provision rate for uncollectible accounts is higher than the calculated rates for calendar years 1989 and 1990.

b. WPC-12a presents separately the current year provision for uncollectible accounts into gas and electric amounts. Since this allocation was apparently available to ULH&P, explain in detail why ULH&P used the provision rate which reflected both electric and gas operations in calculating uncollectible accounts adjustments in this proceeding, instead of the rate specifically related to electric operations.

36. Concerning the response to Item 50 of the December 17, 1991 Order, for each subaccount category shown on sheets 1 and 2 of 6 for Account No. 909, provide an example of the type of advertising charged to the subaccount. Examples may be in the form of copies of actual ads, samples of direct mail outs, or the texts of billboards and media spots.

37. Concerning the response to Item 51 of the December 17, 1991 Order, provide the following information:

a. Describe the nature of the services provided by Market Strategies, Inc.

b. Describe the nature of the services provided by Hameroff/Milenthal/Spence, Inc.

c. Explain the nature of the sundry disbursements paid to Provident Bank.

d. Describe the nature of the transactions with Globe Business Interiors.

e. For the dues paid to Association of Edison and Northern Kentucky, identify these organizations and describe the purpose of the groups.

38. Several transactions listed in the response to Item 51 are identified as public relations. For each of the organizations listed below, provide a thorough explanation of the transaction and copies of the invoice or supporting documentation:

- a. Kincaid Regional Theatre.
- b. Greater Cincinnati Convention.
- c. Downtown Council of Cincinnati.
- d. Diorama Presentations.
- e. Cincinnati Theatrical Association.
- f. Museum Center Foundation.

39. Concerning the response to Item 53 of the December 17, 1991 Order, for each of the vendors listed below, provide a thorough description of the services provided to ULH&P. For each vendor, explain in detail why the test year level of expense should be included for rate-making purposes.

- a. NUS Corporation.
- b. General Physics Corporation.
- c. Arthur Andersen & Company.
- d. Taft, Stettinius & Hollister.
- e. Cap Gemini America, Inc.
- f. IMI/CPR.
- g. O'Hara, Ruberg, & Taylor.
- h. Provident Bank.
- i. CRESAP.

40. Concerning the response to Item 56 of the December 17, 1991 Order, for each officer listed on sheets 2 and 3 of 3, indicate how much of the total ULH&P test year compensation reflects bonuses, incentive plan payments, or payments other than regular salary.

41. Concerning the response to Item 57 of the December 17, 1991 Order, explain whether ULH&P or CG&E have analyzed what the membership dues to EPRI would be if ULH&P were a separate member. If available, provide the calculation of EPRI dues for ULH&P as a separate member.

42. Concerning the responses to Item 45 of the November 14, 1991 Order and Item 58 of the December 17, 1991 Order, provide the following information:

a. The plan description for the Management Retirement Plan. A review of the response to Item 45(b) revealed that the description of the DCIP was submitted as the description of the Management Retirement Plan.

b. Included in the DCIP and SIP descriptions are references to an increase in ULH&P's matching contribution effective June 1, 1991. For both plans, show the total expense, gas expense, and electric expense for the months of June and July, 1991.

43. Concerning the response to Item 60 of the December 17, 1991 Order, provide the following information:

a. Indicate the number of ULH&P employees who were eligible to receive payments under the Key Employee Annual Incentive Plan ("KEAIP") during the test year.

b. Indicate the total KEAIP payments allocated to ULH&P in the test year, including the allocation of the amounts to gas and electric operations. Describe in detail how the payments were assigned to ULH&P and how the payments were allocated between gas and electric operations.

c. Identify the Award Opportunity Levels which were in effect during the test year.

d. Sheet 3 of 4 lists the 1990 Corporate Performance Objectives under the KEAIP. For each objective, indicate the 1990 actual performance.

e. Submit copies of the 1991 Corporate Performance Objectives.

f. Indicate what the electric Customer Protection Modifier was for 1990. Include the workpapers showing the determination of the electric Modifier.

44. The answer provided for Item 61 is not responsive. ULH&P was requested to provide a breakdown of the rate case costs incurred to date, information on hours worked and pay rates, and copies of supporting invoices, contracts, or other documentation. In its response, ULH&P did not provide copies of the supporting documentation, stating the documents were available for review at its offices. Provide the requested documentation for the rate case costs incurred to date.

45. Concerning the response to Item 61 of the December 17, 1991 Order, provide the following information:

a. Explain whether the referenced overtime payments would be part of the overtime included in labor charges for wages.

b. Indicate the amount of in-house labor included in the costs for the bill inserts and legal notices.

46. Concerning the response to Item 62 of the December 17, 1991 Order, in lieu of monthly updates, provide two updates of the actual rate case costs incurred by ULH&P. The first update will be due on March 2, 1992, and the second will be due 20 calendar days after the completion of the public hearing. ULH&P is to provide rate case cost information in the same detail as requested in Item 47 of the November 14, 1991 Order, including copies of all supporting invoices, contracts, or other documentation. The updates should also indicate the amount of rate case costs related to in-house labor, both regular and overtime.

47. In the response to Item 49 of the November 14, 1991 Order, ULH&P provided a schedule which indicates that the "Per Company" test-year, one-time costs for various management audit recommendations to be \$4,487,415. A review of the Management Audit Status Reports indicates that some of the recommendations have been deferred, for example Recommendation IV-9. According to the response in Item 49, the test-year, one-time cost for this recommendation was \$2,590,502. Provide the following information:

a. Explain in detail why the \$4,487,415 in test-year, one-time costs should not be removed from operating expenses.

b. If action on Recommendation IV-9 has actually been deferred, explain in detail why the schedule showed actual test-year, one-time costs of \$2,590,502.

c. Prepare the schedule originally requested in Item 63 of the December 17, 1991 Order, including explanations of

allocations used and supporting workpapers. If reference needs to be made to any reports filed with the Commission's Management Audit Branch, specifically cite the report, the appropriate section of the report, and the pages which contain the referenced information.

48. Given the response to Item 64 of the December 17, 1991 Order, provide a detailed explanation of how ULH&P tracks or evaluates the success of implemented management audit recommendations.

49. The response to Item 27(b) of the December 17, 1991 Order indicates that weather is not the only random event that affects energy usage.

a. Provide a list of any other random events that affect the energy usage of ULH&P's customers.

b. Describe the events listed in the response to part(a) above and explain, for each event, any consideration given by ULH&P to incorporating these events into a "sales normalization" adjustment.

50. The response to Item 27(c) of the December 17, 1991 Order indicates that no assumptions were made about the normalcy of economic variables in ULH&P's econometric model. Does this mean that the economic variables in ULH&P's model do not reflect actual economic activity of the test year? Expand on your answer as necessary.

51. The response to Item 27(d) of the December 17, 1991 Order indicates that ULH&P's 21 billing cycles are weighted equally in calculating billing degree days.

a. Provide the number of customers per class for each of the 21 billing cycles.

b. Do each of the 21 billing cycles include the same number of days in a given month or do the number of days vary due to weekends, holidays, etc.?

52. The response to Item 27(e) of the December 17, 1991 Order shows that ULH&P used 30-year data for the years 1951 through 1980 to establish normal degree days.

a. Provide by year the annual cooling and heating degree days for the period from 1951 through 1980.

b. Did ULH&P choose to use 30-year data for any reason other than that 30 years is provided in NOAA's official literature?

c. Did ULH&P make any attempt or give any consideration to updating this data to reflect any years since 1980?

d. Is ULH&P aware that NOAA will prepare special degree-day tabulations that include more recent data?

53. The response to Item 68(a) of the December 17, 1991 Order clarifies that the FAC recoveries of \$5,411,365 shown on WP C-3.18a are for the 12 months ended September 30, 1991.

a. Are the amounts shown in the recoveries column on WP C-3.18a taken from line 14 of the monthly FAC reports filed with the Commission?

b. Is it correct that the amount of recoveries included in the test year ended July 31, 1991, is \$5,856,939?

54. The response to Item 69 of the December 17, 1991 Order indicates that the respective base and curtailable demand levels of 8,500 KW and 6,500 for Newport Steel were established in the service agreement approved by the Commission in Case No. 91-076¹ and that those levels will be in effect for the 10-year term of the agreement.

a. Article III, Section 3.2 of the agreement establishes Newport Steel's initial firm and curtailable loads; however, Article III, Section 3.3 indicates that Newport Steel may annually re-designate its firm and curtailable loads. In what part of the agreement are the 8,500 KW-firm and 6,500 KW-curtilable loads made effective for the full 10-year term of the contract?

b. If the current firm and curtailable loads are subject to change yearly on the anniversary date of the agreement, what assurances does ULH&P have that the 8,500 and 6,500 KW loads will remain in effect for the full term of the agreement?

55. Referring to ULH&P's response to Item 28(a) of the December 17, 1991 Order explain how actual degree days are obtained for each specific billing cycle. For example, explain how ULH&P measures actual billing cycle temperatures which are used to calculate billing cycle degree days.

56. Referring to ULH&P's response to Item 29 of the December 17, 1991 Order, where does ULH&P measure actual temperatures used

¹ Case No. 91-076, A Service Agreement Between The Union Light, Heat and Power Company and Newport Steel Corporation.

to calculate actual billing and calendar heating and cooling degree days as shown on Exhibit RGS-3, page 1 of 3?

57. Referring to ULH&P's response to Item 73 of the December 17, 1991 Order, provide the results and all computer output of the regression analysis used to determine the customer component of distribution costs. In addition, explain how the regression results were used to determine the customer component.

58. Many of the dependent and independent variables shown in Exhibit RGS-2 are labeled "@CGE":

a. Does this imply that CG&E data are used for those variables?

b. If yes, why did ULH&P not use service territory specific data in its regression analysis?

c. What is the effect of using CG&E data on ULH&P's weather normalization analysis?

59. The residential model shown on Exhibit RGS-2, page 1 of 12, shows four weather variables: Hddb@EFF@EHP; Hddb@EFF@ER; Cddb@EFF@CAC; and Cddb@EFF@RAC. Explain which coefficients are used in the weather normalization analysis.

60. Explain how the rate class-specific weather variable coefficients are aggregated or combined in order to be used in Equation 5 as shown on Exhibit RGS-1, page 2.

61. Concerning the response to Item 66(a) of the December 17, 1991 Order, Management Audit Recommendation ("MAR") III-1, provide the following information:

a. Explain in detail why CG&E does not perform span-of-control analyses at an organizational level higher than departmental.

b. Indicate when the 80 percent principle was adopted by CG&E. Include and discuss any study performed which supported the reasonableness of this principle. Indicate when the principle was last reviewed to determine the reasonableness of its continued use.

c. Since its initial adoption, explain whether the 80 percent principle has been justified using a cost or technical bases. Include copies of the justification analysis.

d. The September 1, 1991 Status Report states that in its most recent analysis, ULH&P has 150 of approximately 675 supervisory positions with a reporting relationship of 1:3 or less. Explain why such narrow reporting relationships are desirable for ULH&P.

e. Other than identifying the number of reporting relationships which are at 1:3 or less, explain in detail what actions ULH&P has taken to address the situation.

f. Describe the oversight role and degree of overall involvement of senior management in any of the company's spans-of-control analysis.

g. Attachment 11 to the September 1, 1991 Status Report is an analysis of current, maximum, and minimum spans-of-control by CG&E departments. The analysis shows that three departments had a current span-of-control valuation that exceeded the maximum. Further, five departments had current

valuations that were within 95 percent of maximum. Explain in detail what actions ULH&P or CG&E have taken to improve these spans-of-control.

h. Explain in detail how the analysis in Attachment 11 documents that there are minimal savings to be gained from changes in the spans-of-control.

62. Concerning the response to Item 66(b) of the December 17, 1991 Order, MAR IV-1, provide the following information:

a. Specifically identify what improvements have been made with regard to this recommendation.

b. ULH&P has indicated that it plans to purchase (or has purchased) a building as an interim measure to replace the Florence Service Building. Since this is an interim measure, explain in detail why it is more reasonable to purchase rather than rent the needed facility.

c. Explain whether ULH&P conducted any analysis of the costs and benefits of leasing versus purchasing this building. Include copies of any analysis performed.

d. ULH&P's management audit was completed in 1989. In the September 1, 1991 Status Report, it is indicated that a detailed study of ULH&P's franchise area will be conducted beginning in 1992 to determine the long-term facilities needs. The study is expected to be completed in five years. MAR IV-1 was listed as a high priority recommendation. In light of this information, explain in detail why ULH&P has waited for two years to address a high priority recommendation of the management audit and why this proposed study will take five years to complete.

63. Concerning the response to Item 66(c) of the December 17, 1991 Order, MAR IV-9, provide the following information:

a. Describe what would be included in the B.E.S.T. system.

b. Identify the vendors contacted concerning B.E.S.T.

c. Explain whether ULH&P would require that the "hard cost benefits" must exceed the total project costs before it would be willing to implement the postponed B.E.S.T. system.

d. Explain in detail why ULH&P would not capitalize the expected \$2,590,502 one-time costs of the B.E.S.T. system.

e. Explain in detail why the B.E.S.T. system could not or would not be utilized by the gas department or other divisions of ULH&P.

f. Prepare a schedule showing the costs, for the test year and as of December 31, 1991, that ULH&P is incurring for the enhancement of the existing scheduling system and the use of personal computer scheduling programs.

64. Concerning the response to Item 66(d) of the December 17, 1991 Order, MAR VI-1, provide the following information:

a. Explain in detail whether the We Care Team - One Stop Shop ("WCT") review of the consolidation of customer contacts encompassed all the areas recommended for review in the Management Audit report.

b. Submit copies of the WCT recommendations.

c. Explain in detail what actions ULH&P or CG&E have taken concerning the WCT recommendations.

d. Describe the evaluation performed by the Customer Relations Department of the WCT recommendations. Include the results of the Department's evaluation.

e. Explain in detail the actions taken by ULH&P or CG&E concerning the recommendations contained in the preliminary study performed by Telecommunications, Inc.

f. Indicate whether a new ACD system was installed in 1991. Identify when the installation was complete, the total costs of installation, and describe the accounting treatment used to record the transaction.

65. Concerning the response to Item 66(e) of the December 17, 1991 Order, MAR VI-2, provide the following information:

a. The MAR deals with the consolidation of job classification for Customer Service Representative. The September 1, 1991 Status Report extensively discusses actions taken in the development of new training programs. Explain in detail why ULH&P's actions on this MAR appear to have dwelt more on training programs rather than the consolidation of job classifications.

b. Submit copies of the Company Evaluation Committee's evaluations.

c. Identify when the new job structure was actually implemented. Include an organizational chart which reflects the new structure.

d. The September 1, 1991 Status Report indicates that the Training Section had completed its preliminary staffing. Indicate how many employees were added under this preliminary staffing, the annual cost of wages for this staff, and describe

whether this staffing was accomplished by reassigning existing employees or hiring new employees.

e. ULH&P has identified one-time costs of its actions as \$32,000. Indicate whether this figure reflects actual or estimated costs, whether these costs were capitalized or expensed, and how much of the capitalized or expensed costs were included in the test year.

f. The Management Audit Action Plans for this MAR include an investment of \$1.4 million in a new training facility, annual training program, and training staff. Explain in detail how this investment addresses the recommendation to consolidate job classifications for Customer Service Representatives.

g. ULH&P's management audit was completed in 1989. The September 1, 1991 Status Report indicates that the implementation of the action plan is still in progress. This MAR was assigned a high priority. Explain in detail why ULH&P is still working on this recommendation.

66. Concerning the response to Item 66(f) of the December 17, 1991 Order, MAR VI-9, provide the following information:

a. Explain in detail why the re-routing of the meter reading routes is contingent upon the installation of the Customer Service System.

b. The September 1, 1991 Status Report indicates that a new routing system was to be implemented by January 1, 1992. Indicate the status of the implementation of the new routing system.

c. If the new routing system has been implemented, explain in detail how extensive the re-routing is.

d. The September 1, 1991 Status Report indicates that the implementation of the action plan is still in progress. This MAR was assigned a high priority. Explain in detail why ULH&P is still working on this recommendation.

67. Concerning the response to Item 66(g) of the December 17, 1991 Order, MAR VI-12, provide the following information:

a. The September 1, 1991 Status Report lists five analyses performed by ULH&P to evaluate the effectiveness of its current credit and collection policy. Submit copies of the results of these analyses.

b. Indicate the effective date when ULH&P increased the residential customers' required deposit.

c. Describe the results of ULH&P's analysis of the increased deposit coverage. Submit copies of the analysis. If this analysis has not been performed as of January 15, 1992, explain why the analysis has not been performed.

d. Describe the results of ULH&P's evaluation of making changes to the current billing system to accommodate the potential policy and procedural changes related to uncollectibles.

e. Explain in detail why the Pro-Active Collection System has been deferred and why it could not be developed and implemented independently of the implementation of the Customer Service System.

f. Indicate the current status of the Non-Pay Workforce project. Include an explanation of the actions taken to date.

g. Indicate the current status of the Service Application Team recommendations. Include copies of those recommendations and explain in detail what actions have been taken to date on the recommendations.

h. WPC-12a shows a calculation of the percentage of the provision for uncollectible accounts to the total operating revenues for the test year and the five previous calendar years. While the schedule shows that the percentage of the provision has been steadily decreasing over the five calendar years, the test year percentage shows an increase which reflects an approximate 8.7 percent increase over the 1989 and 1990 percentages. Explain in detail what impact the increase in customer deposits has had on the percentage of provision for uncollectible accounts.

i. WPC-12a also shows the amount of actual write-offs for the test year and the five previous calendar years. The test year write-offs increased over the 1990 calendar year amount by approximately 9.5 percent. Explain in detail what impact the increase in customer deposits has had on the actual write-offs.

68. Concerning the response to Item 66(h) of the December 17, 1991 Order, MAR VIII-10, provide the following information:

a. Copies of the Hay Associates' review and ULH&P's/CG&E's responses to any recommendations.

b. Indicate whether any analysis was performed comparing salary structures and competitive market postures with

other major utilities in Kentucky or Ohio. Include the results of any such analysis.

c. Explain in detail the basis for the decision that decreasing the market rate goal would be detrimental to the morale of employees and impede ULH&P's ability to attract and retain qualified employees.

d. Indicate whether the salary increases granted during the test year to the non-union employees and the officers were based on the results of the Hay Associates' review.

Done at Frankfort, Kentucky, this 17th day of January, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director